

Company: sheng  
siong supermarket



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## 1. Introduction

The Sheng Siong supermarket chain was founded by the Lim brothers (Mr. Lim Hock Chee, Mr. Lim Hock Eng and Mr. Lim Hock Leng. Established in 1985, the first Sheng Siong store was set up at block 122 Ang Mo Kio avenue 3. Since then, the Sheng Siong supermarket chain has rapidly gained recognition and establishing itself as one of the largest supermarket chain with 43 outlets island wide. Sheng Siong supermarkets currently offers more than 400 variety of wet and dry products like live, fresh and chilled produce, such as seafood, meat and vegetables while keeping their prices at a very affordable range.

With their reputation growing, Sheng Siong supermarket has been awarded the Superbrands status in Singapore since 2008. Sheng Siong also has an extensive distribution network, warehousing facilities and food processing facilities to support their large retail operations. They are also HACCP (Hazard analysis and critical control points) certified for their processing of fish, seafood, meat, vegetables and dried food from the receiving of raw materials to storage, processing, packing and transportation of finished product.

Sheng Siong supermarket has excellent customer service, promotions and are also highly technologically advance which makes them a popular household brand. Primarily located in the heartlands of Singapore, Sheng Siong is still planning on expansion to reach more areas of the island in the future.

## 2. PESTEL Analysis

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### Political:

One of Singapore's top attraction is the political stability of the nation. Singapore has a world-renowned reputation of being safe, having zero tolerance towards corruption and having a strong political leadership (Yahya, 2016). Low crime rate and zero tolerance to corruption will attract potential business investors to Singapore creating a stable economy. Singapore also holds third place in the world competitiveness ranking. Political stability and reliable infrastructure are key factors in Singapore. Businesses can be assured of safe and stable policies that will help them operate their businesses without having to worry about unstable economy.

Professor Arturo Bris, director of the IMD World Competitiveness Centre, said: " The new Government policy is towards trying to protect Singaporeans, their jobs and Singapore businesses." (Weizhen, 2015). These policies by the government helping Singaporeans protect their jobs and helping businesses grow, keeps household expenditures at a steady rate and businesses like Sheng Siong supermarket can capitalize on the fact that Singapore will maintain this safe and secure environment for them to grow and retain their business.

### Economical:

Singapore has continued to grow rapidly from a low-income country to a high-income country in the decades since her independence. Proving with an average GDP growth of 7.7% since independence and topping with an average 9.2% in the first 25 years of independence. Singapore being a high-income economy with a gross national income (GNI) of \$52,090 per capita, <https://assignbuster.com/company-sheng-siong-supermarket/>

as of 2015. (the world bank , 2016). Singapore constantly re-evaluates long term economic and political strategies to adapt to changes and priorities over time with focused measures in place for Singapore to develop as a world-class financial hub.

These measures together with the strong political and macroeconomic stability, skilled and an educated workforce and excellent infrastructure have propelled Singapore to be the business and financial hub of Asia. Sheng Siong supermarket's constant growth in business are attributed to these factors and the excellent customer service it provides. In 2016 however, Singapore has lost its coveted title as the world best place to do business. (Nee, 2016). One of the main reason Singapore's loss of relative competitiveness is the high cost of manpower.

With the government tightening policies on foreign labour, companies like Sheng Siong supermarket may be affected as cost of labour in different sectors of their operation goes up. These are the economic factors which would greatly affect the business is they do not take necessary steps to adapt and change.

## Social

Social aspects of the business are important to businesses in Singapore as have a very diverse culture with the core 4 races, Malay, Chinese, Indian and Eurasians. Singapore has long been battling the low birth rate which in turn could affect the economy. Policies have been put place like the placing laws giving parent four moths paid maternity leave and \$18, 000 cash incentives for parents who have 5 children or more to encourage parents to consider

having more children. However, policies like this had low success with the fertility rate still at 1.24 in 2015 compared to the needed 2.1 to prevent a shrinking population in Singapore. (Khoo, 2016).

To curb this rising problem, Singapore introduced the population white paper in 2013 bringing in foreign workers and expats to the country to meet the required working population. This policy although unpopular was necessary to be implemented as the low fertility rate poses a threat with the aging population. (Cheng, 2017). Sheng Siong as a retail business serving a wide variety of consumers have a social responsibility to different cultures and religion. With the high influx of foreigners and expats to the nation they adapt and provide different products for their customers. Importing more foreign brands of products will help diversify their business accommodating to more variety of people with different needs.

#### Porter's Five Forces

##### Competitive rivalry with an industry: High

The competitive rivalry within the industry is high as there are many large supermarket chains in Singapore. NTUC FairPrice, giant supermarket and mega store and cold storage are the few direct competition to Sheng Siong supermarket. NTUC FairPrice has established itself as a household brand serving over 500,000 people daily. Cold Storage supermarket is known for its wide variety of products imported from all around the world catering to the foreign communities in Singapore. Giant supermarket set up a mega store selling products in large quantity for a cheaper price which sometime are hard to match by its competitors.

**Threat of new entrant: Low**

Threat of new entrant is relatively low at this scale as it requires a very high capital. However, Singapore being the financial hub of Asia, many investors have relocated here and are investing in business by the millions of dollars. Sheng Siong has worked tirelessly throughout the years to have established itself as one of the top 3 supermarkets in Singapore, thus it is difficult for new entrants to be a threat to the Sheng Siong supermarket chain. Adding to that, government policies and high capital requirements would also pose as hurdles for new entrants. Thus, the threat is relatively low.

**Threat of substitute products or services: High**

Singapore being the financial hub of Asia, many millionaire investors have relocated here for the safety and security. Investment in new services especially technologically advanced ones are becoming popular. Founded in 2011, Redmart offers online shopping for groceries and household products with fast delivery straight to your doorstep at a very competitive price. (redmart, n. d.). Online platforms are becoming popular in substituting services and this new trend is growing with new entrants like honestbee. Online trend has been growing and affecting many businesses in different sectors with high impact. Consumers are now seeking convenience, this would pose a threat if Sheng Siong do not diversify their business.

**Bargaining power of suppliers: High**

Singapore is a city with no natural resources. Most of our land space is being used for housing and commercial use like offices, recreation, and malls.

Agriculture have almost totally become obsolete. With no natural resources, companies like Sheng Siong solely depends on suppliers from overseas for most of their products. These same suppliers might also be supplying to Sheng Siong's direct competitions like NTUC fair price and Giant. Problems faced by suppliers in their own country like rising manpower cost and other natural disasters for example a typhoons or floods, would directly be reflected on the pricing of their products. Suppliers would have an upper hand because with Sheng Siong having a large operation, changing suppliers would be a lengthy and a costly decision, it would also affect their operations as product flow would be affected.

Bargaining power of customers: High

In an industry with high competition, Sheng Siong would have to continuously work to retain and keep their customers. Customers now have the availability of many different grocers and supermarket. NTUC FairPrice for example has over 130 outlets and 160 FairPrice Xpress and Cheers convenience stores which is substantially more than Sheng Siong supermarket 43 outlets. (NTUC FairPrice, n. d.) Many customers would then choose convenience over loyalty to the brand. Pricing would be a key component in decision making for customers.

Wet markets are one of the for customers as groceries can me more affordable there compared to supermarkets. Johor Bahru being just a drive across the causeway and Malaysia having a weak ringgit compared to Singapore dollar, many people are driving over despite the heavy traffic to get groceries for an even lower price. (Lin, 2015). The bargaining power of

customers is very high with many options offering the same products and services.

#### 4 Management Recommendations

##### Recommendation one: Introducing loyalty program

Sheng Siong should introduce a loyalty program for its customers through its e-commerce and its retail sales. In addition to that, a mobile application should also be developed for consumers to easily track their purchases and receipts. A free membership can be introduced with minimum purchase of \$200 in a single purchase. The loyalty program can offer special birthday privileges, notification to special offers during a season. This way Sheng siong will be able to boost its sales also retain its consumers with this value-added service and a well-maintained relationship.

##### Recommendation two: Strengthen organizational culture and awareness

Company culture is a very important factor in retaining staff in the company. A strong corporate culture provides stability in times of change and competition. Singapore being a multi-racial society, culture awareness is also an important factor for staff. Management should implement cultural days where the company observes different cultures from around the world. Organizing events having everyone involve would create a strong bond between employees of different race and religion. This would strengthen relationship within the company and create awareness to the various cultures. A company with a cohesive and strong team will be able to move forward together in times of rapid changes.



### Recommendation three: Corporate social responsibility

Partnering with media events such as the presidents star charity, Sheng Siong can be a sponsor for this event to give back to the society and use this opportunity to connect with customers. Adopting these practices pushes the company to be proactive. Organizing charity drives and events will also create more awareness to the society. Events like beach clean-up, donating groceries to the needy will help create a strong core company culture and build good relations with consumers. Above that, Sheng should pledge to donate 5% of their annual pre-tax profit to different charity organizations.

### Recommendation four: Diversify business with changing trends

The internet and smart phones have had a huge impact on society. Sheng Siong should move with the changes by developing a mobile application for its online ordering system on all platforms (iOS and android). This would elevate the company's reach to consumers and be on level playing grounds with its competitors like Redmart and Honestbee

### Conclusion

In an ever-changing environment in Singapore, Sheng Siong must be open to changes and different business situation. Sheng Siong has moved with technology and implemented self-checkout kiosk in a few stores, also expanding to the online shopping and delivery service. Most of its supermarket out being 24 hours they have proven to be a strong player in the industry committed to changes. Over the decades, Sheng Siong has managed to overcome many hurdles like the economy slump during the

SARS (severe acute respiratory syndrome) virus period. A time where many businesses faced great losses but with its strong value and service they still had a strong consumer base. (Sheng Siong, n. d.).

Beginning with a small stall in Ang Mo Kio to being one of the leading brands in Singapore, Sheng Siong has proven they are an efficient and effective company. Sheng Siong Supermarket will overcome future hurdles and downturns strategizing accordingly drawing lessons from past experiences and downturns. The future for Sheng Siong is a promising one from this analysis as being able to adapt to changes a vital to a company's survival. Sheng Siong's will achieve its goals and continue expansion propelled by its strong core and value.

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